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The Director of Central Intelligence

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Webb, DC 4235

9 July 1981

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MEMORANDUM FOR: The President
The Vice President
✓ Secretary of State
Secretary of the Treasury
Secretary of Defense
Secretary of Commerce
Secretary of Energy
Director, Office of Management
and Budget
United States Trade Representative
Assistant to the President for
National Security Affairs
Chairman, Joint Chiefs of Staff

FROM: William J. Casey

SUBJECT: Siberian Pipeline

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The attached has been prepared for your information in connection with the NSC meeting this afternoon.

APPROVED FOR RELEASE

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William J. Casey

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8 July 1981

CIA MEMORANDUM ON SIBERIAN PIPELINE

[REDACTED] These are the basic arguments that can be made:

- The pipeline will improve future Soviet economic growth and facilitate a military buildup which the West (especially the US) will have to counter. (Tab A) This probably will be the most compelling argument to the Europeans.
- It would replace their current hard currency earnings from oil which seem likely to dry up during the second half of the 1980s. The Siberian pipeline would thus prevent a reduction of the hard currency they have to spend from the current level of \$24 billion to \$12 billion and enhance the Soviet ability to extend their influence over other countries.
- The Soviet gas will cover less than 3 percent of European energy requirements and is not needed to cover increases in European energy demand. Demand projections are being lowered greatly because of energy conservation and alternative, often cheaper, supplies of gas and other energy sources will be available. The argument that the pipeline would increase the security and the price of energy supply by diversifying sources and reducing dependence on the insecure Persian Gulf is weak.
- The \$4 billion of annual Western exports for the pipeline would add less than 1/2 of 1 percent to the foreign trade of the Alliance. To the extent that these increments to Western energy and trade enable the Soviets to maintain or increase their military capability, the United States, carrying 54 percent of the COCOM defense burden, would bear the brunt of responding.
- The \$16 billion European investment would be better spent on alternative schemes to ensure Allied energy security. Some combination of American and Australian coal, Norwegian and British gas from the North Sea, and Western capability to produce synthetic gas can satisfy the Western European needs which the Siberian pipeline is intended to meet. (Tab B)

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